

**IN THE CIRCUIT COURT OF COLE COUNTY
STATE OF MISSOURI**

KEITH WENZEL, Director, Department of Insurance, State of Missouri,)	
)	
)	
Plaintiff,)	
)	
v.)	Case No. CV _____
)	
GENERAL AMERICAN MUTUAL HOLDING COMPANY, a Missouri Mutual Holding Company,)	
)	
)	
Defendant.)	

VERIFIED PETITION FOR REHABILITATION

COMES NOW Keith Wenzel, Director of the Missouri Department of Insurance ("plaintiff"), and for his petition states as follows:

1. Plaintiff is the duly appointed and confirmed Director of the Department of Insurance of the State of Missouri ("the Director").
2. Defendant General American Mutual Holding Company ("GAMHC") is a mutual holding company organized and operating under the laws of the State of Missouri, Mo. Rev. Stat. ' ' 376.1300-376.1322.
3. Mutual holding companies are subject to the supervision of the Director in the same manner as a Missouri insurance company. Mo. Rev. Stat. ' 376.1322.
4. GAMHC owns 100% of the stock of GenAmerica Corporation ("GAC"), which is a stock holding company organized under Missouri law. GAC in turn owns 100% of the stock of General American Life Insurance Company ("GALIC"), a stock life insurance company

organized under Missouri law. GAC also owns, directly and indirectly, the majority of the stock of certain other subsidiaries, including Reinsurance Group of America, Inc. ("RGA") and Conning Corporation ("Conning").

5. GALIC's business includes the issuance of funding agreements, which are insurance contracts that resemble short term bonds and serve as investment instruments. Many funding agreements sold by GALIC to institutional customers, such as pension, mutual and money market funds, had seven or thirty-day cash-in options.

6. In March 1999, Moody's Investors Service ("Moody's") downgraded GALIC's rating. On July 30, 1999, Moody's downgraded GALIC's rating further. Because of the downgrade in GALIC's rating, many of the funding agreement holders exercised seven or thirty-day cash-in options that were contained in the funding agreements. GALIC had set aside substantial funds to satisfy funding agreement surrenders, but such funds proved to be inadequate. Between July 30 and August 4, customers holding approximately \$4 billion in funding agreements demanded cash. This created severe pressure on GALIC's readily-available cash to meet the surrender demands.

7. GALIC immediately attempted to raise the cash to satisfy the demands of its funding agreement customers through a sale of certain of its assets. By August 7, it was apparent that GALIC would be unable to sell sufficient assets to cover the funding agreement obligations without incurring losses that could adversely affect its ability to meet its obligations to all of its other policyholders.

8. The ratings downgrade and the public disclosure of the problems faced by GALIC also had a negative effect on GALIC's ability to issue new life insurance business. It

became clear that, absent a development that created confidence in the market, GALIC's life insurance business also would be at risk of deterioration. While this would not immediately threaten GALIC's ability to perform under its existing policies, it would result in a reduction in the overall value of the enterprise, thereby diminishing the return for GAMHC's members.

9. On August 10, 1999, the Director issued an Order of Administrative Supervision respecting GALIC ("the Supervision Order"), after determining that one or more of the conditions set forth in ' 375.1160.2(1) of the Missouri Insurers Supervision, Rehabilitation, and Liquidation Act (Mo. Rev. Stat. ' ' 375.1150-375.1246) existed. The grounds supporting the Supervision Order included the following: (1) the Board of Directors of GALIC had consented to issuance of the Supervision Order; and (2) it appeared to plaintiff that GALIC had defaulted on certain funding agreement obligations in the amount of over \$1 billion. Based on these facts and pursuant to the requirements of Mo. Rev. Stat. ' 375.1160.2(1), the Director determined that GALIC was in a condition that rendered the continuance of its business hazardous to the public or its policyholders. GALIC has remained under administrative supervision since the Supervision Order was issued, and Steven C. Divine, Chief Financial Examiner of the Missouri Department of Insurance ("the Department"), serves as Administrative Supervisor.

10. The effect of the Supervision Order is that GALIC continues to operate under the Department's supervision in order to preserve GALIC's assets against large immediate cash demands, and to protect the interests of GALIC's approximately 300,000 policyholders.

11. Following issuance of the Supervision Order, the Department worked closely with GALIC and GAMHC to resolve the crisis caused by GALIC's inability to satisfy the funding agreement surrenders in a fashion that would fully protect the members of GAMHC and

the policyholders of GALIC. Both GALIC and the Director retained experienced legal and investment banking advisors to provide strategic and financial advice with respect to the options. GALIC's advisors recommended that the best means of preserving the value inherent in GALIC for the members and policyholders was a sale of GAC (together with its subsidiaries, such as GALIC), and so advised the Director. GAMHC thereupon assembled a sale process designed to elicit offers for the purchase of GAMHC's stock in GAC. There were many expressions of interest in response to the sale process, and an auction developed with improvements in the bids occurring through the process. The Director's advisors also concurred in this strategy.

12. The sale process culminated in the execution of a Stock Purchase Agreement dated August 26, 1999, as amended ("Agreement"), between GAMHC and Metropolitan Life Insurance Company ("MetLife"), whereby MetLife will purchase for substantial consideration all shares in GAC from GAMHC. The Agreement also obligates MetLife to provide interim arrangements (between August 26 and the eventual closing of the GAC stock sale) to protect and stabilize the business of GALIC and its subsidiaries. A true and correct copy of the Agreement (with only Schedules 1.1(a), (b), (c) and (d) and Exhibits) is attached hereto as Exhibit A.

13. The Director has determined that GALIC's policyholders and creditors, as well as GAMHC's members, creditors and other constituencies, will best be protected by placing GAMHC into rehabilitation and consummating the proposed sale of GAC to MetLife through that proceeding.

14. Pursuant to Mo. Rev. Stat. ' 376.1322, GAMHC is subject to the Missouri Insurers Supervision, Rehabilitation and Liquidation Act, Mo. Rev. Stat. ' 375.1150-375.1246.

15. Rehabilitation of GAMHC is essential for removal of the conditions that led to issuance of the Order respecting GALIC. Specifically, the Director has determined (a) that a sale by GAMHC of its stock in GAC to MetLife is necessary for the protection of GALIC policyholders, creditors, and the public, and (b) that such a sale should be consummated pursuant to a comprehensive reorganization plan respecting GAMHC under Mo. Rev. Stat. ' 375.1168.4.

16. The Director seeks in this petition to commence the rehabilitation proceeding respecting GAMHC contemplated in the Agreement.

17. The Director further seeks an order setting forth specific deadlines for submission of a reorganization plan respecting GAMHC (the "Reorganization Plan"), the filing of any objections thereto, and a hearing before this Court regarding approval and confirmation of such plan ("the Plan Confirmation Hearing"), as well as an order approving the form of notice respecting the reorganization plan and the Plan Confirmation Hearing. (Proposed forms of mailed and published notice are attached hereto as Exhibits B and C, respectively.)

18. GAMHC is in such condition that the further transaction of its business outside of rehabilitation would be hazardous financially to GALIC policyholders (who are the members of GAMHC), GALIC creditors, and the public. Also, the Board of Directors of GAMHC has consented to the rehabilitation of GAMHC under Mo. Rev. Stat. ' 375.1165. The executed consent is attached hereto as Exhibit D. Consequently, one or more of the grounds set forth in Mo. Rev. Stat. ' 375.1165 for issuance of an order of rehabilitation respecting GAMHC is present.

19. To enable the rehabilitation of GAMHC and the removal of the conditions that led to the Supervision Order respecting GALIC, this Court should issue an order to

rehabilitate the business of GAMHC, appointing the Director as rehabilitator of GAMHC, and (pursuant to Mo. Rev. Stat. ' 375.1155) enjoining all persons and entities from:

- a. The transaction of further business of GAMHC without the written approval of the Rehabilitator;
- b. The transfer of any property or asset of GAMHC without the written approval of the Rehabilitator;
- c. Interfering with the Rehabilitator or with this proceeding respecting GAMHC;
- d. Waste of GAMHC's property or assets;
- e. Dissipation and transfer of GAMHC's bank accounts;
- f. The institution or further prosecution of any actions or proceedings against GAMHC or the Rehabilitator other than (i) as provided for in the order entered pursuant to this petition, or (ii) any action by MetLife under the Agreement or the Reorganization Plan, in each case, brought in this Court;
- g. The obtaining of preferences, judgments, attachments, garnishments or liens against GAMHC, GAMHC's property or assets, or its members;
- h. The levying of execution against GAMHC, GAMHC's property or assets, or its members;
- i. The making of any sale or deed for nonpayment of taxes or assessments that would lessen the value of the property or assets of GAMHC;
- j. The withholding from the Rehabilitator of books, accounts, documents, or other records relating to the business of GAMHC; and
- k. Any other threatened or contemplated action that might lessen the value of GAMHC's property or assets or prejudice the rights of GAMHC's members or creditors, or the administration of any proceeding respecting GAMHC including but not limited to any threatened or contemplated action against GAMHC's officers or directors.

WHEREFORE, plaintiff prays for issuance of an order of rehabilitation respecting GAMHC pursuant to Mo. Rev. Stat. ' 375.1166, that includes the following provisions:

- (a) appoints the Director as Rehabilitator of GAMHC ("the Rehabilitator");
- (b) directs the Rehabilitator forthwith to take possession of GAMHC pursuant to the supervision of this Court;
- (c) vests title to all assets of GAMHC in the Rehabilitator;
- (d) enjoins all persons and entities in the manner set forth in paragraph 19 above;
- (e) sets a schedule for the Rehabilitator to make application to this Court for approval of the Reorganization Plan and provide appropriate notice and an opportunity to be heard to interested parties;
- (f) approves a form of notice respecting the application for approval of the Reorganization Plan; and
- (g) grants such other and further relief as this Court deems appropriate.

STATE OF MISSOURI)
)
 COUNTY OF COLE) SS:

I, Keith Wenzel, having first been duly sworn, on my oath swear that the facts stated in the above Verified Petition for Rehabilitation are true to the best of my knowledge and belief, that I am the duly appointed and confirmed Director of the Missouri Department of Insurance, and I am applying and petitioning the Court for the relief prayed for in the above Verified Petition for Rehabilitation.

 KEITH WENZEL

SUBSCRIBED AND SWORN to
 before me this ____ day of
 _____, 1999.

 Notary Public

My Commission Expires:

Respectfully submitted,

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